

June 30, 2007

The Honorable Jennifer Granholm
Governor of Michigan

Ms. Carol Morey Viventi, Secretary of the Senate
Mr. Richard J. Brown, Clerk of the House
State Capitol Building
Lansing, Michigan 48909

In accordance with Public Act 304 of 1982, the attached 2006 Annual Report for the Michigan Utility Consumer Representation Fund (UCRF) is transmitted to the Legislature.

The state's six largest investor-owned utilities who use cost recovery proceedings to recover purchased gas and power supply costs from ratepayers were required, under this Act, to remit a total ratepayer funded assessment of \$1,052,150 in 2006 to provide for fair and adequate representation of Michigan residential energy ratepayers in gas and power supply cost recovery proceedings, reconciliation cases and other related proceedings before the Michigan Public Service Commission. 47.5% of the revenue is allocated to fund intervenor grants, 47.5% of the revenue is allocated to the Department of Attorney General, and the remaining 5% is allocated for administrative costs.

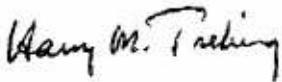
Grants awarded in calendar year 2006 totaled \$606,000. Total funding available in the calendar year 2006 was \$522,500 (FY06 authorization) and \$902,500 (FY07 authorization pending approval of the budget). The Utility Consumer Participation Board requested an increased authorization in FY 2007, using accrued funds from previous years, to support intervention efforts of non-profit, utility consumer groups. The increase allowed the Board to fully fund the proposals submitted in 2006. The cases selected for UCRF funding represent approximately 95% of the residential customers of utilities participating in cost-recovery proceedings or nearly 3 million natural gas customers and 3.5 million electric customers in the state of Michigan. Each year Act 304 cases involve decisions worth hundreds of millions of dollars. Active intervention on behalf of residential customers assures reasonable and fair planning and cost treatment for individuals who otherwise would not have a voice in this complex utility ratemaking process. Many of the reductions and disallowances achieved by UCRF funded interveners continue to benefit ratepayers over the long-term. In addition, policy reforms brought about by the active participation of UCRF funded consumer groups assure greater equity and efficiency in future energy utility planning and ratemaking.

Administrative improvements achieved by the board in 2006 include the hiring of a special assistant, establishment of regular bi-monthly meetings, revision of the grant application, implementation of bi-monthly case status reports from grantees, improved tracking of grant amendments, and restructuring of the annual report.

The Attorney General's Office expended \$513,000 of UCRF funds in calendar year 2006 for intervention on behalf of the utility ratepayers of Michigan in Act 304 proceedings. The Attorney General's Office will submit its' P.A. 304 Annual Report under separate cover.

Sincerely,

UTILITY CONSUMER PARTICIPATION BOARD



Dr. Harry M. Trebing, Chair

cc: Keith W. Cooley, DLEG Director
UCPB Board Members Alexander Isaac, Sister Monica Kostielney, Marc Shulman, Ronald F. Rose (Vice Chair)

**UTILITY CONSUMER REPRESENTATION FUND
ANNUAL REPORT**

CALENDAR YEAR 2006

UTILITY CONSUMER PARTICIPATION BOARD

Dr. Harry M. Trebing, Chair
Alexander Isaac
Sister Monica Kostielney
Ronald F. Rose, Vice Chair
Marc Shulman

TABLE OF CONTENTS

1. Introduction
2. UCPB Major Responsibilities
 - 2.1. UCPB Board Action 2006
 - 2.2. UCRF Grants Awarded 2006
 - 2.3. UCRF Resource Sufficiency
 - 2.4. UCPB Resource Efficiency and Non-Duplication Due Diligence
 - 2.5. UCPB Administrative Efficiency
3. UCRF Results
 - 3.1. Cost/Benefit Analysis
 - 3.2. Summary 2006 Grant Activity and Results
 - 3.3. Detail Report 2006 Grant Activity and Results
4. Financial Reporting and Administrative Process
 - 4.1. Calendar year 2006 Remittances
 - 4.2. Calendar year 2006 Appropriation and Accrued Funds
 - 4.3. Notification of Readiness to Proceed
 - 4.4. Scope of Work
 - 4.5. Application and Selection Process
5. Update on the Legislative Review of Act 304

Questions regarding this report should be addressed to:

Utility Consumer Participation Board
Department of Labor and Economic Growth
Attention: Ms. Robin C. Bennett
P.O. Box 30004
Lansing, Michigan 48909
(517) 373-3795
Fax: (517) 373-3621

1. INTRODUCTION

Public Act 304 of 1982, as amended (Act 304) provides for the establishment and implementation of gas and power supply cost recovery clauses in the rates and rate schedules of public utilities. The Utility Consumer Participation Board (UCPB) and the Utility Consumer Representation Fund (UCRF) were further created by the Act to achieve equitable representation of interests of energy utility customers in energy cost recovery proceedings. The purpose of the UCPB is to make grants from the Act 304 Utility Consumer Representation Fund (UCRF) to qualified nonprofit organizations and local units of government to represent the interests of residential utility customers in energy cost recovery and reconciliation proceedings before the Michigan Public Service Commission, other state and federal agencies, and the courts.

This annual report to the Legislature, which is required under section 6m(22) of the Act, covers the activities of the Utility Consumer Participation Board for the 2006 calendar year.

The Utility Consumer Participation Board awarded \$606,000 in UCRF grants in calendar year 2006 to consortia of several non-profit, consumer groups. The board also continued to monitor grant work previously authorized. Grant recipients in 2006 included the Residential Ratepayer Consortium (RRC), Michigan Environmental Council (MEC) / Public Interest Research Group in Michigan (PIRGIM). Combined, the grantees represent state-wide, nonprofit groups with over 400 member agencies and tens of thousands of individual members focused on issues related to energy, consumer protection, environmental, public health, and community action. Grant recipients reported a substantial return on monies invested in intervention. Though it is difficult to determine and validate exact monetary benefits attributable to any single party, the difference between the amounts set forth by utilities in their applications and what was ultimately allowed for recovery from residential ratepayers exceeded \$1 billion dollars. It is important to note that some of the savings are a result of changes that all parties, including the utilities, recognize and agree to in reconciliation cases. However, many of the cost and policy issues important to residential ratepayers are raised by UCRF funded advocates and vigorously contested on their behalf. Benefits from this advocacy include current rate reductions, future savings from lower annual rates, policy reform and innovation that results in greater equity and efficiency and reduced risk for Michigan's energy utility ratepayers. The UCPB, through the administration of the UCRF, continues to advance the purpose of Act 304 and improve outcomes for residential energy customers in Act 304 and related proceedings.

In addition to UCRF grant awards, The Attorney General's Office expended \$513,000 of UCRF funds in fiscal year 2006 for intervention on behalf of the utility ratepayers of Michigan. New requirements instituted by the UCPB require coordination of the grantees with the Attorney General. This allows for greater coverage of the wide range of complex and highly specialized issues involved in major cases, and more efficient use of resources. Together with regular reporting by the parties, questions of "duplication of effort" have largely been resolved. Results of the Attorney General's intervention are provided in a separate annual report submitted by their office to the Legislature.

2. UCPB MAJOR RESPONSIBILITIES

MCL 460.6l provides for the creation of a Utility Consumer Participation Board, defines its membership, and prescribes its duties.

MCL 460.6m creates the Utility Consumer Representation Fund, establishes provisions for its generation, distribution and use, limits the beginning dates of cost recovery proceedings, and places reporting requirements on both fund recipients and the Board.

The duties and responsibilities of the Act under these two sections were discharged as described in sections 2.1 and 2.2.

2.1 UCPB Board Action 2006

Listed below are actions taken by the Utility Consumer Participation Board in the administration of the Utility Consumer Representation Fund from January 1, 2006 to December 31, 2006.

February 2, 2006

Discussed progress on PIRGIM grant and further financial reporting required by DLEG.

Discussed PAYS America grant amendment requests. Motion to approve amendment requests was denied.

April 21, 2006

Discussed PAYS America budget amendment request to shift \$5,500 from travel to attorney fees.

Discussed issues raised in regard to standing and PAYS ability to pursue their proposal in a GCR case.

The Board discussed perspectives of both SEMCO and PAYS. Motion by Rose, second by Trebing and motion carried to approve the budget request.

Discussed Keskey extension request of MEC grant UCRF 05-04. Request for extension was referred to DLEG purchasing and grant services.

Discussed revised grant application prepared by LeAnn Droste, DLEG Purchasing and Grant Services, Michael Moody, and John Liskey, Michigan Attorney General's Office. Submitted for Board review and comment.

Justin Londo and Elden Lamb of the Auditor General's Office discussed the UCPB Audit process and procedures.

July 7, 2006

Discussed work statement, contract, recruitment and hiring process for a contractor to support and assist the Board. Motion by Shulman, second by Isaac and motion carried to adopt the DLEG statement of work with amendment to the project objective language that the total contract not exceed \$10,000 in the fiscal year, accept the timelines as outlined by LeAnn Droste, and that the board meet on or before July 25th to select a candidate.

Discussed Keskey's request to extend the deadline for grant proposals from July 10th to July 14th. No action was taken due to lack of sufficient notification time to all potential applicants.

Tentative meeting dates of July 24th for selection of the Special Assistant and August 29th for awarding grant monies were set.

July 24, 2006

Motion by Kostielney, second by Shulman and motion carried to hire Michelle Wilsey as Administrative Coordinator.

August 29, 2006

Information requested from grantees for the 2005 Annual Report including the asking and settlement prices for PSCR and GCR cases if possible.

Motion by Trebing, second by Kostielney to approve PIRGIM 3 month grant extension (September 30, 2006 to December 30, 2006) with no additional funding. Motion carried.

Motion by Rose, second by Trebing to approve PAYS America 1 month grant extension (September 30, 2006 to October 30, 2006). Motion failed.

Motion by Trebing, second by Kostielney, to approve the Residential Ratepayer Consortium Grant dated June 28, 2006 in total amount of \$212,100. Motion carried. Shaltz will provide revised set of budget sheets with a break down of funding for the plan and reconciliation cases for each utility and submit them to DLEG and the Board.

Motion by Kostielney, second by Rose to approve MEC/PIRGIM grant proposal in total amount of \$393,900, with a revised budget breakdown between cases by December 31, 2006. Motion carried.

Discussion memo for improving board policies and procedures was distributed.
The next UCPB Board meeting was scheduled Monday, October 2, 2006.

October 2, 2006

Grantees reported on status of current grants. Intervention has produced the following specific results: reductions in GCR factors, refined gas purchasing strategies, revision of GCR contingency factors to provide for decreases as well as increases, and a study to review gas storage operations. Energy efficiency issues in PSCR case have been allowed into the record but the proposals were rejected by the Administrative Law Judge. Exceptions focusing on MPSC jurisdiction were filed and decision pending.

PAYS America project discussed. Decision was made that this energy efficiency program/conservation program was not appropriate for an Act 304 proceeding. Extensive discussion regarding the Board's funding of this project.

Motion by Kostielney, second by Trebing and motion carried to schedule bi-monthly UCPB meetings on the first Monday of even numbered months. (Note: Dates for 2006-2007 would be 12/4/06, 2/5/07, 4/2/07, 6/4/07, 8/6/07, 10/1/06, 12/3/07).

The Board approved the following grant amendments:

- a. Kostielney moved, second by Trebing and motion carried to approve the RRC's request to use the grant funds that were awarded on August 29, 2006 for the MichCon 2007-2008 GCR Plan to file an intervention in Case U-14800 and to file a motion seeking deferral to and consolidation with the utility's 2007-2008 GCR Plan. No additional funds are approved with this request.
- b. Kostielney moved, second by Rose and motion carried to approve the MCAA request to use grant funds from UCRF Grant 06-03 (Case U-14717) to file an intervention in Case U-14800. No additional funds are approved with this request.
- c. Rose moved, second by Kostielney and motion carried to approve the MEC/PIRGIM request to add William Peloquin as an expert witness to UCRF grant approved August 29, 2006. Credentials are to be submitted to the Board once agreement is reached.
- d. Rose moved, second by Kostielney and motion carried to approve the request of MEC/PIRGIM to obtain the services of a Washington DC based law firm to provide support services for FERC and other federal proceedings included in the UCRF grants approved August 29, 2006 at no extra cost.

Ideas for expanding interest in UCRF supported intervention, particularly to local governments were discussed.

The next meeting is Monday, December 4, 2006, 10:00 a.m. at the Ottawa Building.

December 4, 2006

Grantees reported on status of current grants. Intervention in major cases is proceeding. An emerging issue regarding MichCon's proposal to decrement the amount of storage available to meet GCR customer supply needs was discussed. The case may potentially go forward as a separate case dealing with accounting treatment rather than as part of the 2007-2008 GCR plan Case. Both RRC and MCAA plan to participate in the case.

Motion by Isaac, second by Shulman and motion carried to approve the extension request of the RRC for Grant No. UCRF 06-04 from December 6, 2006 to July 30, 2007.

Motion by Rose, second by Isaac and motion carried to extend Grant 06-03 to July 30, 2007, and add Case No. U-14800 as a specific item of work under the grant with no additional compensation.

Motion by Rose, second by Isaac and motion carried to authorize the RRC to use up to one-half of the funds authorized for the 2007-2008 GCR Plan Case in MichCon Case No. U-14800.

The next meeting is Monday, February 5, 2007, 10:00 a.m. at the Ottawa Building.

2.2 UCRF Grants Awarded 2006 (8/29/2006) and 2006 status of previously awarded grants.

| Grant ID | DESC | Term | Amt Requested | Amt Awarded (Amt Expended to date) | Admin Expense |
|--------------------------|--|---|---------------|--|---------------------|
| UCRF 05-01 RRC | Intervention in PSCR Plan Cases FY 05-06 for DECO, CECO. | 12/8/2004-12/31/2005, extended 6/6/2006 | \$144,470 | \$144,470 (\$136,794) Grant Complete | \$1,430 |
| UCRF 05-02 RRC/MLHS | Intervention in GCR Plan Cases FY 05-06 for CECO, MichCon, SEMCO, Aquila/MGU; Intervention in GCR Reconciliation Cases 2004-05 for same companies. | 6/7/2005-6/6/2006, extended 9/30/2006 | \$143,622 | \$143,622 (\$112,116) Grant Complete | \$1,422 |
| UCRF 05-03 MCAAA | Intervention in GCR Plan Cases for MichCon (U-13902, U-14401) and CECO (U-14403); Intervention in GCR Reconciliation Case for MichCon (U-13902R); Appeals/court cases for U-13060, U-13060R, U-13902 and related appeal COA-263262, U-13902R, U-14401, U-14403 | 6/7/2005-6/6/2006 | \$116,300 | \$116,300 (\$119,231) ¹ (UCRF \$116,300) (Intervener \$2,931) Grant Complete | \$1163 |
| UCRF 05-04 MEC | Intervention in PSCR Plans for CECO (U-14275, U-13917), DECO (U-14274, U-13808), Indiana Michigan Power (U-13919), WECO (None recorded); CECO Decommissioning (U-14150); Intervention in PSCR Reconciliation Cases CECO (U-13917R), DECO (U-13808R), Indiana Michigan Power (U-13919R); File Generic Complaint (U-13771); Related court cases and appeals to above). | 6/7/2005-6/6/2006, extended 9/30/2006 | \$118,108 | \$118,108 (\$118,104) Grant Complete | \$1,181 |
| Total FY05 Authorization | | | \$522,500 | \$522,500 (\$483,314) | \$5,210 |
| UCRF 06-01 PAYS America | Development of Pay-As-You-Save (PAYS) Conservation Tariff for SEMCO service areas cooperatively or through GCR Plan Case. | 11/1/2005-9/30/2006 | \$157,725 | \$83,933 (\$77,501) Grant Complete | \$0, None requested |
| UCRF 06-02 MEC/PIRGIM | Intervention in 2006 PSCR Plan Cases for CECO (U-14701), DECO (U-14702); Intervention in 2005 PSCR Reconciliation Cases for CECO (U-14274R), DECO (U-14275R); and related court cases/appeals (U-14467). | 12/7/2005-12/6/2006 | \$101,000 | \$82,749 (\$81,582) | \$819 |
| UCRF 06-03 MCAAA | Intervention in 2006 GCR Plan Cases for CECO (U-14716), MichCon (U-14717); Intervention in 2005 GCR Reconciliation cases for CECO (U-14403R), MichCon (U-14401R); and related court cases/appeals (U-14467). | 12/7/2005-12/6/2006 | \$121,200 | \$100,719 (\$97,929)* Includes unpaid invoices heldback pending grant completion. | \$997 |
| UCRF 06-04 RRC/MLHS | Intervention in 2006-07 GCR Plan Cases for CECO, MichCon, SEMCO, Aquila/MGU; Intervention in 2005-06 GCR Reconciliation Cases for above companies. Amended to include U-14800. | 12/7/2005-12/6/2006, extended 7/30/2007 | \$206,040 | \$180,141 (\$153,120) | \$1794 |

¹ Intervener exceeded authorization and therefore, UCRF paid authorized maximum of \$116,300 and intervener absorbed deficit of \$2,931.

| | | | | | |
|---|--|---|-----------|--|----------|
| UCRF 06-05 PIRGIM Supplemental to UCRF 04- 05 | Comp. Assessment of Michigan's Electric Restructuring Implementation & impacts on Michigan's PSCR Customers | 3/22/06-9/30/06, extended 12/30/2006 | \$52,458 | \$52,458 (50,863) Grant Complete | \$1658 |
| Total FY06 Authorization | | | \$522,500 | \$522,500 (\$460,995) | \$5268 |
| UCRF 07-01 RRC | Intervention in GCR Plan and Reconciliation Cases for Consumers Energy (CECo), MichCon, SEMCO and MGU that are scheduled in the current grant fiscal year (October 06-Nov 07). Emphasis is placed on relevant cost issues with particular emphasis on gas supply planning. In addition, RRC will monitor GCR filings of smaller utilities and target advocacy on issues that may establish adverse precedents for future large utility cases. No PSCR participation is proposed. Amended to include U-14800. | 10/03/2006- 9/30/2007 | \$212,000 | \$212,000 (\$83,680) | \$2,100 |
| UCRF 07-02 MEC/PIRGIM | Intervention in PSCR Plan and Reconciliation Cases for Consumers Energy (CECo) and Detroit Edison (DECo) that are scheduled in the current grant fiscal year (October 06-Nov 07) and continued participation in CECo/DECo PSCR proceedings (Plan and Reconciliation) from the previous grant fiscal year. Particular emphasis is placed on promoting energy efficiency and conservation issues. In addition to routine PSCR proceedings, the applicants propose participation in the following: several pending or potential appeals of previous PSCR cases; state and (anticipated) federal cases and appeals related to CEC0/CMS proposed sale of nuclear assets; SNF refiling and potential court appeal; potential MPSC special inquiry re: energy efficiency planning and/or programs; DECo rate case or special inquiry involving Act 304 cost/rate issues. No GCR participation is proposed. | 10/3/2006-9/30/2007 | \$393,900 | \$393,900 (\$119,617) | \$ 3,900 |
| Total FY07 Authorization (pending budget approval) | | | \$902,500 | \$606,000 (\$203,297) | \$6,000 |

2.3 Resource Availability

The total amount of grants requested for calendar year 2006 totaled \$606,000. The UCRF grant authorizations available were \$902,500 (FY07 authorization pending budget approval). The FY06 authorization was committed to grants in calendar year 2005.

2.4 Resource Efficiency and Non-Duplication Due Diligence

Given the need to scale back intervention proposals in the previous year, the Board requested additional spending authorization utilizing accrued, unspent funds from previous years. The amount of funds

available for grants was increased from \$522,500 (FY05) and \$522,500 (FY06) to \$902,500 (FY07 pending budget approval). Two proposals were received by the Board. The MEC/PIRGIM proposal focused on intervention in PSCR cases and the RRC work plan proposed intervention in GCR cases. This largely eliminated potential duplication of effort between grantees. Coordination with the Attorney General is required by the conditions of the grant. In order to monitor efforts, the Board required grantees to submit bi-monthly financial and case status reports for discussion at UCPB meetings.

2.5 Administrative Efficiency

The Board took the following steps in 2006 to improve administrative processes and efficiency:

1. Approved the revision of the UCRF grant application proposed by DLEG Purchasing and Grant Services and Michigan Attorney General's Office. Improved alignment of the grant application and the grant contracts. Also required sign-off/acknowledgement of Attorney General on grant proposals to avoid duplication of effort.
2. Hired part-time contractor to assist the Board and coordinate efforts with other parties of interest.
3. Established regular bi-monthly meeting schedule.
4. Implemented bi-monthly case status reports from grantees.
5. Improved tracking of grant amendments.
6. Revised annual report.

3. UCRF RESULTS

3.1 Cost/Benefit Analysis and Discussion

In creating cost recovery mechanisms that allowed utilities to recover energy supply costs from ratepayers outside of a contested rate case, the Michigan Legislature assured that Michigan's residential energy customers would be effectively represented through the creation of the UCRF. UCRF funding is collected from assessments on utilities that use the cost recovery mechanism, Therefore, the revenue for the fund is generated from ratepayers and expended for their benefit.

The PSCR and GCR cases have a "plan" and "reconciliation" phase. The plan cases for each utility set the framework and establish the cost of fuel recoverable from all customers. The reconciliation phase looks back at the assumptions and performance of the utility under the plan and "corrects" or "trues-up" the plan factors with reality. The differences are then passed through to customers through collections, credits or refunds. UCRF grant funded parties advocate for the interests of residential customers in this process.

The 2006 grant recipients' proposals sought to accomplish the following primary goals:

- 1) Improve overall energy supply planning in order to reduce costs to Michigan energy ratepayers.
- 2) Scrutinize costs actually incurred by utilities are reasonable and prudent in order to assure Michigan's residential ratepayers are not bearing undue costs or risks.
- 3) Contest costs and implement safeguards associated with the sale or realignment of significant assets (including nuclear, gas storage, etc.) in order to protect Michigan ratepayers' investment and future risk.
- 4) Pursue proposals to improve or balance supply planning including but not limited to demand management, conservation and energy efficiency.

There are many factors that impact assessment of effectiveness of UCRF funded intervention on behalf of residential customers including: 1) certain cases and proceedings span more than one grant year, 2) proceedings, through the appeal process, may remain pending for several years, 3) impact of a decision in one year often continues to benefit ratepayers in future years, 4) outcomes may result from multiple parties interventions and may be reported (in whole or part) by each party, 5) lack of a standardized reporting approach and validation method, and 6) indirect benefits not reflected in direct cost reductions.

For purposes of this report, costs are generally understood to be the portion of the utility assessment collected from ratepayers specifically for representation of residential customers in Act 304 cases and proceedings. Benefits generally reported include specific disallowances of recovery for specific energy costs proposed by utilities and important case developments or decisions that may positively impact ratepayers or ratepayer costs in the long-run. The direct costs reported were disallowed by the Michigan Public Service Commission as a result of Act 304 intervention efforts or were otherwise saved through negotiated settlements by the grant recipient acting in conjunction with other parties.

3.2 Summary of UCRF Grant Activity and Results

In 2006, UCRF grantees reported participation in 12 major gas cost recovery (GCR) plan and reconciliation cases, 11 power supply cost recovery (PSCR) cases, 5 other Act 304 related cases and 12 appeals. Results and activities reported by the grantees are presented in section 3.3 of this report. Complete dockets related to the cases are available through the Michigan Public Service Commission's Electronic Docket Filing System (EDocket) at www.michigan.gov/mpsc. Results for individual cases may be verified by reviewing the case docket. MPSC case numbers have been included for purposes of research and validation.

3.3 Detail Report 2006 Grant Activity and Results

Grantee: Residential Ratepayer Consortium²

Grant No. UCRF-06-02

| <u>Order Date</u> | <u>Case</u> | <u>Results</u> |
|-------------------|---|--|
| 4/13/06 | MPSC Case No. U-13990-R Aquila Networks-MGU 2004-2005 GCR Reconciliation | Case resolved by Settlement Agreement. \$15,669,739 GCR refund/credit plus \$3,641,698 interest to GCR customers. Additional customer benefits: Negotiated improvements to gas supply forecasting and gas supply purchasing practices with requirements for increased data reporting in future GCR plan & reconciliation cases. See Note 1 for case details. |
| 4/25/06 | MPSC Case No. U-13916-R Consumers Energy Company 2004-2005 GCR Reconciliation | Case resolved by Settlement Agreement. \$1,923,649 refund/credit to GCR customers, inclusive of interest Disposition of other issues: It was agreed that issues concerning the Company's storage operations constraints and sales forecasting methods would be deferred to CECO's next GCR reconciliation case. |
| 7/26/06 | MPSC Case No. U-13960-R SEMCO Energy Gas Co. 2004-2005 GCR Reconciliation | Case resolved by Commission Order on contested case. No cost disallowance ordered. See Note 2 for case details |

² The Residential Ratepayer Consortium (RRC) comprises the Area Agencies on Aging Association of Michigan, Michigan Consumer Federation and Michigan League for Human Services.

| | | |
|---------|---|--|
| 8/22/06 | MPSC Case No. U-13902-R | Case resolved by Commission Order on Michigan Consolidated Gas Co. contested case. \$330,657 cost disallowance ordered. See Note 3 for case details. |
| | Michigan Consolidated Gas Co. 2004-2005 GCR Reconciliation | |

Grant No. UCRF-06-04

Order

Date

Case

Results

| | | |
|---------|--|---|
| 8/22/06 | MPSC Case No U-14716 Consumers Energy Company 2005-2006 GCR Plan | <p>Case resolved by settlement agreement. Requested GCR Factor reduced from \$11.0953/Mcf to \$9.4766/Mcf, i.e., a \$1.62 reduction in the maximum billing charge per unit of gas to GCR customers. This in turn reduced the overall gas costs CECo sought to recover from GCR customers set forth in its original application by approximately \$388 million. Additional customer benefits secured:</p> <ul style="list-style-type: none"> • Symmetry added to CECo's quarterly contingency mechanism • Agreement on gas purchasing strategy guidelines for the April 2006 through March 2007 period • Agreement of guidelines for options hedges for the GCR plan year <p>See Note 4 for additional case details</p> |
|---------|--|---|

| | | |
|---------|---|---|
| 8/22/06 | MPSC Case No.U-14717 Michigan Consolidated Gas Co. 2005-2006 GCR Plan | <p>Case resolved by settlement agreement. Requested GCR Factor reduced from \$12.15/Mcf to \$8.95/Mcf, i.e. a \$3.20 reduction in the maximum billing charge per unit of gas to GCR customers. This in turn reduced the overall gas costs MichCon sought to recover from GCR customers in its original application by approximately \$478 million. Additional customer benefits secured:</p> <ul style="list-style-type: none"> • Symmetry added to MichCon's quarterly contingency mechanism • Agreement on gas purchasing strategy guidelines for the April 2006 through March 2007 period • Requirement that MichCon prepare and file a study on use of its storage facilities with particular emphasis on optimal levels of storage for GCR customer service <p>See Note 5 for additional case details</p> |
|---------|---|---|

| | | |
|----------|---|--|
| 9/26/06 | MPSC Case No. U-14715 Michigan Gas Utilities Corp. 2005-2006 GCR Plan | <p>Case resolved by settlement agreement. Requested GCR Factor reduced from \$12.4156/Mcf to \$9.59/Mcf, i.e., a \$2.82 reduction in the maximum billing charge per unit of gas to GCR customers. This in turn reduced the overall gas costs MGU sought to recover from GCR customers in its original application by approximately \$62 million. Additional customer benefits secured:</p> <ul style="list-style-type: none"> • Symmetry added to MGU's quarterly contingency mechanism. • Agreement on gas purchasing strategy guidelines for the April 2006 through March 2007 period and into the 5-year forecast period <p>See Note 6 for additional case details</p> |
| 10/12/06 | MPSC Case No. U-14718 SEMCO Energy Gas Co. 2005-2006 GCR Plan | <p>Case resolved by settlement agreement. Requested GCR Factor reduced from \$12.0545/Mcf to \$9.50/Mcf, i.e., a \$2.55 reduction in the maximum billing charge per unit of gas to GCR customers. This in turn reduced the overall gas costs SEMCO sought to recover from GCR customers in its original application by approximately \$96 million. Additional customer benefits:</p> <ul style="list-style-type: none"> • Symmetry added to SEMCO's quarterly contingency mechanism • Agreement on gas purchasing strategy guidelines for the April 2006 through March 2007 period and into the 5-year forecast period • Requirement that SEMCO file in its next GCR Plan an evaluation of the Company's ability to acquire additional storage to meet the needs of its GCR customers to make fixed price purchases beyond the current GCR period. <p>See Note 7 for additional case details.</p> |

RRC NOTES:

1. In the settlement agreement, Aquila:
 - a. acknowledged the reduction in its GCR customer supply requirements and its commitment to monitor GCR customer usage on a continuing basis and to consider adjusting its supply planning if warranted in light of supply and storage alternatives available to the Company. (This issue was addressed by the testimony the RRC filed in this case).
 - b. made a commitment to provide the parties -- before the start of the 2006-2007 winter heating season -- the results of the Company's mid-2006 regression analysis of system requirements and documentation of whether or not to make any adjustments using the results of the regression analysis. (This issue was addressed by the testimony the RRC filed in this case).
 - c. made a commitment to file testimony in its 2005-2006 GCR reconciliation regarding the Company's method of locking in its fixed price contracts and the sources of information it used for that purpose. The Company will also present testimony in its 2006-2007 GCR Plan on Aquila's projected implementation in the 2006-2007 GCR year of its Quartile, Dollar-Cost-Averaging Target Mechanism.
2. The RRC filed testimony and exhibits that critiqued SEMCO's decision to delay triggering the price of its September 2004 "dollar cost averaging" (DCA) purchase until October 2004 and recommended a disallowance of \$1,275,400 attributable to the increased costs for GCR customers caused by that decision. In its final order, the MPSC declined to order the disallowance proposed by the RRC.
3. In its testimony filed in Case No. U-13902-R, the RRC:
 - a. evaluated MichCon's rationale for making certain gas supply decisions in December 2003 /January 2004 and April 2004 through March 2005 that resulted in GCR customer savings. However, the

Company failed to use that same information to inform its “dollar cost averaging” (DCA) purchases in September 2004. Instead, MichCon delayed those purchases to October 2004 and incurred \$947,022 in excess gas costs. The RRC recommended that those costs should not be passed through to the GCR customers and should be disallowed because they were unreasonable and imprudent.

- b. concluded that, based on what MichCon knew about natural gas prices in January 2005, the Company’s decision to use third party storage to reduce planned purchases in January through March 2005 was unreasonable and imprudent and caused \$2,378,500 in excess gas supply costs for the GCR customers that should be disallowed.
 - c. recommended that the MPSC require MichCon document in all future GCR Reconciliation filings the impact of all new Storage Service Contracts on the operation of GCR storage inventory.
 - d. In its final order in this case, the Commission declined to order the disallowance proposed by the RRC with respect to MichCon’s failure to make a DCA purchase in September 2004. With respect to the MichCon’s decision to reduce its purchases of gas in February and March 2005 and to amend its third party storage contracts to allow it to do so, the MPSC reduced the RRC’s proposed cost disallowance to \$330,657.
4. In the testimony it filed in Case No. U-14716, the RRC advocated that Consumers Energy Company’s GCR Factor be reduced to \$9.00 per Mcf and made recommendations for improving the Company’s hedging strategy for the 2005-2006 GCR Plan year. The injection of symmetry into CECO’s quarterly contingency mechanism results from the RRC’s advocacy in a prior GCR Plan case.
 5. In the testimony it filed in Case No. U-14717, the RRC advocated that MichCon’s GCR Factor be reduced to \$9.15 per Mcf and made recommendations for the Company’s gas purchasing methods for 2005-2006 GCR Plan year. The injection of symmetry into MichCon’s quarterly contingency mechanism results from the RRC’s advocacy in a prior GCR Plan case.
 6. In the testimony it filed in Case No. U-14715, the RRC advocated that MGU’s GCR Factor be reduced to \$9.3196 per Mcf and made recommendations on the Company’s annual and monthly requirements, its plans to accommodate colder than normal weather, its level of contracted firm transportation and its capacity release credits. The injection of symmetry into MGU’s quarterly contingency mechanism results from the RRC’s advocacy in a prior GCR Plan case.
 7. In the testimony it filed in Case No. U-14718, the RRC advocated that SEMCO’s GCR Factor be reduced to \$9.34 per Mcf and made recommendations on the Company’s annual and monthly requirements, its planned storage requirements, its plans to accommodate colder than normal weather and a reduction in the current level of contracted for firm transportation. The injection of symmetry into SEMCO’s quarterly contingency mechanism results from the RRC’s advocacy in a prior GCR Plan case.

Grantee: **Michigan Environmental Council and
Public Interest Research Group in Michigan³**

| <u>Order Date:</u> | <u>Case</u> | <u>Result</u> |
|---|--|--|
| 12/21/06 (Temporary PSCR factors) | MPSC Case No. U-15002, the 2007 Power Supply Cost Recovery (PSCR) Case for the Detroit Edison Company (DECo) | DECo filed this case on September 29, 2006. MEC/PIRGIM intervened on November 13, 2006. Intervention was granted on November 22, 2006. Hearings were held concerning the establishment of a temporary PSCR factor. MEC/PIRGIM filed a brief concerning temporary factors on December 15, 2006. On December 21, 2006 the MPSC issued an order granting temporary rate factors. The case then continued during 2007 to establish permanent PSCR rate factors. |
| Case pending (re PSCR plan factors) | (UCRF 07-02) | |
| 12/21/06 | MPSC Case No. U-15001; the 2007 PSCR Plan | CECo filed its application and case on September 29, |

³ MEC is a non-profit organization of 71 public interest, health, and environment organizations in Michigan representing 200,000 citizen ratepayers; PIRGIM is a statewide non-profit consumer protection and public interest organization comprising 10,000 Michigan citizen members.

(Temporary PSCR factors)

Case pending (re PSCR plan factors)

case for Consumers Energy Company (CECo)
(UCRF 07-02)

2006. MEC/PIRGIM filed their petition to intervene on November 13, 2006, which was granted at the November 21, 2006 prehearing conference. Proceedings were then held relative to the establishment of temporary PSCR factors. MEC/PIRGIM filed a brief concerning the establishment of temporary factors on December 14, 2006. The Commission issued its order granting temporary factors on December 21, 2006. Proceedings have continued on this case in 2007, and the case remains pending.

MPSC Case No. U-14992; CECo's application for the approval of a Purchase Power Agreement (PPA) and for other relief in connection with the sale of the Palisades nuclear plant and other assets.

(UCRF 07-02)

On August 18, 2006 CECo filed its application and testimony in support of entering a PPA between CECo and Entergy Nuclear Palisades, LLC (ENP), for the purchase by CECo from ENP of the capacity and energy from the Palisades nuclear plant for a 15-year period commencing with the approval of the application, and for certain approvals associated with CECo's proposal to sell the Palisades plant and other assets to ENP. On September 13, 2006 MEC/PIRGIM filed their petition to intervene which was granted at the prehearing conference held on September 20, 2006. Thereafter, MEC/PIRGIM engaged in extensive discovery of information from CECo regarding its proposals and evidence. MEC/PIRGIM also participated extensively in certain other prehearing motion proceedings. On December 20, 2006 MEC/PIRGIM filed extensive testimony and exhibits of 3 expert witnesses in response to CECo's filing and requested relief. A principle focus of MEC/PIRGIM was to protect ratepayer interests with respect to all proceeds and certain other trust funds belonging to ratepayers to ensure fairness in any proposed transactions. MEC/PIRGIM's testimony and exhibits included but was not limited to the following:

- Recommendation that CECo be required to complete the funding of its Big Rock nuclear plant decommissioning fund (the case included issues concerning both Palisades nuclear plant and Big Rock nuclear plant assets and spent nuclear fuel (SNF) sites); MEC/PIRGIM's experts demonstrated that CECo had collected from ratepayers \$32 million per year in Big Rock decommissioning rate surcharges for 3 years through 2003 that had never been deposited by CECo into the Big Rock decommissioning trust; with interest the amount of the deposits owing to the trust amounted \$140 million;
- Opposed CECo's request for an additional \$55 million from ratepayers for the Big Rock decommissioning trust, based upon CECo's claim of a shortfall in the trust, in view of CECo's failure to deposit the \$140 million in rate collections noted above into the trust;
- Recommended proper reconciliation of the "qualified decommissioning fund" and "non-qualified decommissioning funds", funded through ratepayer collections, and the rendering of refunds to ratepayers of all amounts not transferred to the purchaser, ENP. The MPSC order of March 27, 2007 required CECo to refund to ratepayers \$189 million in decommissioning trust funds over 18 months.
- Recommended establishment of an MPSC regulated trust to receive amounts collected from ratepayers for spent nuclear fuel fees that CECo never deposited into the Federal Nuclear Waste Fund (consistent with CECo's stated desire to separate itself from all nuclear energy and spent nuclear fuel responsibility and ownership); the amount of said collections and interest totaled \$153 million as of late 2006.
- Recommended rate disallowances to protect ratepayers for \$85 million in contract default costs related to the Big Rock nuclear plant site, attributable to the U.S. Department of Energy (DOE), and more than \$22 million in similar default costs related to the Palisades plant, which costs are properly the subject of recovery in CECo's damage suit against the DOE and not from ratepayers.
- Recommended rejection of CECo's proposal to charge ratepayers for some \$30 million in transaction costs, a major part of which was CECo's lost equity in an equity investment in an affiliate;
- Opposed CECo's attempt to acquire or inherit approximately \$20 million in increased land values located at the Big Rock nuclear plant site, rather than to recognize a gain in the value or sale price of land as

| | | |
|--------------------------------------|---|---|
| 12/22/05 (Temporary PSCR factors) | MPSC Case No. U-14702; DECo's PSCR Plan case for 2006. | DECo filed case on September 30, 2005. On November 15, 2005 MEC/PIRGIM filed their petition to intervene, which was granted at the November 22, 2005 prehearing conference. Proceedings were then held relative to the setting of temporary PSCR factors. MEC/PIRGIM filed a brief concerning temporary PSCR rate factors on December 9, 2005. The Commission issued an order on temporary factors on December 22, 2005. On February 10, 2006 MEC/PIRGIM filed testimony and exhibits of 2 expert witnesses, who presented extensive studies recommending the reimplementation of energy resource planning, and energy efficiency and conservation programs, and that also recommended a \$21.7 million downward PSCR rate adjustment to reflect avoidable expenses that DECo should have saved relative to fuel, purchased power, pollution credit allowances, and certain transmission congestion costs. On March 30, 2006 MEC/PIRGIM filed a motion for declaratory ruling, and an extensive brief, outlining the Commission's affirmative jurisdiction and authority to grant the relief recommended by MEC/PIRGIM. On March 31, 2006 MEC/PIRGIM filed a response in opposition to motions filed by DECo and the MPSC Staff to strike MEC/PIRGIM's expert testimony. On April 5, 2006 hearings were held concerning all motions and concerning the prefiled testimony. The Administrative Law Judge struck the evidence submitted by MEC/PIRGIM. On April 19, 2006 MEC/PIRGIM filed an appeal to the Commission of the ALJ's rulings. On March 26, 2006, MEC/PIRGIM filed their initial brief in the proceedings, followed by a reply brief on May 17, 2006. On June 30, 2006 the ALJ issued his Proposal for Decision (PFD). On July 14, 2006 MEC/PIRGIM filed exceptions to the PFD. MEC/PIRGIM filed replies to exceptions on July 21, 2006. On September 26, 2006 the Commission issued an order approving PSCR plan factors for DECo, and affirming the ALJ's ruling and denying MEC/PIRGIM's appeal. On October 26, 2006 MEC/PIRGIM filed a motion for rehearing and reconsideration of the Commission's September 26, 2006 order. The case remained pending relative to said motion throughout 2006. |
| 9/26/06 (Permanent PSCR factors) | (UCRF 06-02) and (UCRF 07-02) | |
| Pending | MPSC Case No. U-14702-R; DECo's 2006 PSCR Reconciliation Case (UCRF 07-02) | Commenced in 2007 (pending). |

| | | |
|--------------------------------------|--|--|
| 12/22/05 (Temporary PSCR factors) | MPSC Case No. U-14701; CECo's PSCR Plan case for 2006 | On September 30, 2005 CECo filed its application and case testimony and exhibits. On November 2, 2005 MEC/PIRGIM filed their petition to intervene which was granted by the ALJ. Prehearings were held on November 9 and 22, 2005. Thereafter, proceedings were held relative to the establishment of temporary factors. On December 13, 2005 MEC/PIRGIM filed their initial brief concerning temporary factor issues. On December 22, 2005 the Commission issued its order concerning temporary factors. On February 10, 2006, MEC/PIRGIM filed extensive testimony and exhibits of 3 expert witnesses, which presented testimony concerning the reimplementation of energy resource planning, and energy efficiency and conservation programs, and that advocated that CECo should be required to provide advance information concerning the impact on its 5-year forecast of its planned sale of the Palisades nuclear plant. This testimony also recommended a downward rate adjustment of approximately \$18 million. On March 16, 2006 MEC/PIRGIM filed a motion for declaratory ruling, and brief in support, requesting the Commission to affirmatively rule that it has jurisdiction to adopt the remedies recommended by MEC/PIRGIM. MEC/PIRGIM also filed a motion to postpone the hearings pending a refiling by CECo of a more complete case. MEC/PIRGIM also filed responses to motions by CECo and the MPSC Staff to strike MEC/PIRGIM's testimony. On March 27, 2006 MEC/PIRGIM also filed supplemental testimony and an updated exhibit. Hearings were held on March 21, 2006 at which time the ALJ struck all of the evidence presented by MEC/PIRGIM. On April 4, 2006 MEC/PIRGIM filed an appeal of the ALJ's ruling to the Commission. On April 14, 2006 MEC/PIRGIM filed its initial brief, which was followed by the filing of a reply brief on April 28, 2006. On May 25, 2006 the ALJ issued a PFD. On June 8, 2006 MEC/PIRGIM filed exceptions to the PFD. On August 22, 2006 the Commission issued an order approving CECo's planned factors, and denying MEC/PIRGIM's appeal. On August 24, 2006 MEC/PIRGIM filed a motion and brief in support of reopening the case proceedings in view of CECo's filed application to sell the Palisades nuclear plant and enter into a PPA with Entergy Nuclear Palisades LLC. On September 21, 2006 MEC/PIRGIM filed a motion for rehearing and reconsideration, and brief in support, of the Commission's August 22, 2006 order. On October 24, 2006 the Commission issued its order denying MEC/PIRGIM's motion for rehearing. On November 22, 2006 MEC/PIRGIM filed an appeal of the Commission orders to the Michigan Court of Appeals, which case remains pending. |
| 8/22/06 (Permanent PSCR factors) | (UCRF 06-02) and (UCRF 07-02) | |
| 10/24/06 (Denying rehearing) | | |
| Pending | MPSC Case No. U-14701-R; CECo's 2006 PSCR Reconciliation Case (UCRF 07-02) | Commenced in 2007. Pending. |

| | | |
|---|--|---|
| Pending MPSC order | MPSC Case No. U-14274-R; CECo's 2005 PSCR Reconciliation Case (UCRF 06-02) and (UCRF 07-02) | On March 31, 2006 CECo filed its application, testimony and exhibits concerning its 2005 PSCR reconciliation case. On May 3, 2006 MEC/PIRGIM filed their petition to intervene. On May 20, 2006 MEC/PIRGIM's intervention was granted by the ALJ at the prehearing conference. Extensive discovery process ensued for several months. On October 3, 2006 expert testimony was filed on behalf of the Attorney General and an intervenor Energy Michigan (MEC/PIRGIM did not file testimony). Hearings were held on November 29, 2006 and the case remains pending. The parties then engaged in settlement discussions, which has resulted the entry by all parties into a settlement agreement, including MEC/PIRGIM, filed in 2007. |
| Pending MPSC order in 2006 | MPSC Case No. U-14275-R; DECo's 2005 PSCR Reconciliation Case | This case was filed by DECo on March 30, 2006. On May 4, 2006 MEC/PIRGIM filed their intervention petition which was granted at the May 11, 2006 prehearing conference. Discovery ensued for several months. On June 16, 2006 DECo filed certain revised testimony. On August 18, 2006 expert testimony was filed on behalf of the Attorney General and an intervenor, Energy Michigan. Energy Michigan withdrew its testimony on September 13, 2006. On September 15, 2006 DECo filed rebuttal testimony, and filed a second set of revised testimony on October 4, 2006. Hearings were held on October 11, 2006. On December 1, 2006 MEC/PIRGIM filed an initial brief opposing DECo's proposal to deny to the residential class its allocable share of a Pension Equalization Mechanism (PEM) refund credit, amounting to approximately \$4.5 million, for the years 2004 and 2005. DECo had proposed that all other rate classes, and also customer choice customers, would receive the PEM refund credit. On December 15, 2006 MEC/PIRGIM filed a reply brief reiterating the position that the residential ratepayers should receive their allocable share of the PEM refund credit, and that failure to do so comprised a violation of the mandatory rate caps established by 200 PA 141 for the years 2004 and 2005. This case remained pending at the end of 2006. |
| Order issued 5/22/07 | (UCRF 06-02) and (UCRF 07-02) | |
| Subject to rehearing petition from MEC/PIRGIM filed 6/21/07 | | |
| 9/20/05 10/24/06 | MPSC Case No. U-14150; CECo Palisades Nuclear Plant Decommissioning case. (UCRF 06-02) and (UCRF 07-02) | MEC/PIRGIM in 2004 and 2005 was a major participant filing testimony and objecting to a substantial rate surcharge request by CECo for the Palisades nuclear plant decommissioning fund. MEC/PIRGIM also opposed a proposed settlement by other parties as being inadequate. MEC/PIRGIM was a major contributor to the partial agreement leading to CECo's decommissioning surcharge case being reduced from a request of \$25,141,740 annually for six (6) years, to a surcharge of \$5.5 million per year. On August 24, 2006 MEC/PIRGIM filed a motion and brief to reopen the case proceedings in light of CECo's proposal to sell the Palisades nuclear plant, and to enter into a purchase power agreement with the purchaser, Entergy Nuclear Palisades. On October 24, 2006 the Commission issued its order denying MEC/PIRGIM's motion. However, the decommissioning issues concerning the Palisades nuclear plant continue, and now are referred to CECo's recently filed rate case, which MEC/PIRGIM have intervened in. |

| | | |
|--|---|---|
| 2/28/05 | MPSC Case No. U-13917, CECo's 2004 PSCR Plan case; also appeal in MEC/PIRGIM v MPSC, Court of Appeals Docket 264860 (pending). | In this CECo case, MEC/PIRGIM challenged CECo's inclusion of over \$6 million in annual PSCR costs related to a non-performing contract governing spent nuclear fuel (SNF) fees and SNF disposal; MEC/PIRGIM sought better protection of the fees or assignment of fee costs to the utility rather than ratepayers. The MPSC ruled against taking any action, and MEC/PIRGIM appealed the Commission's order to the Court of Appeals, which is pending. |
| 8/1/05 | (UCRF 05-04) (UCRF 06-02) (UCRF 07-02) | |
| (Court of Appeals cases pending) | | |
| 9/26/06 | MPSC Case No. U-13917-R; CECo's 2004 PSCR Reconciliation Case (UCRF 05-04) (UCRF 06-02) | MEC/PIRGIM in this case also challenged CECo's use of \$12.4 million per year in Big Rock nuclear plant decommissioning surcharges in 2004 for Act 304 fuel and purchase power costs, an issue which is called "backfilling". MEC/PIRGIM appealed the Commission's ruling on this issue to the Court of Appeals, which is pending. CECo filed this case on March 31, 2005. On May 12, 2005 MEC/PIRGIM filed a petition to intervene, which was granted by the ALJ at the May 19, 2005 prehearing conference. Thereafter, a period of extensive discovery, and a number of motion hearings, were conducted over a period of several months. Responsive testimony, and rebuttal testimony, was then filed by the Attorney General (AG), the Staff, and another intervenor. Hearings were held on January 17 and 18, 2006. On February 10, 2006 MEC/PIRGIM filed their initial brief. The ALJ issued a PFD on March 20, 2006. MEC/PIRGIM did not file exceptions. The AG subsequently filed a petition for rehearing of the Commission order issued September 26, 2006, and also an appeal to the Court of Appeals. |
| 4/28/05 | MPSC Case No. U-13919; Indiana Michigan Power 2004 PSCR Plan and Reconciliation Case; also appeal in MEC/PIRGIM v MPSC and IM Power, Court of Appeals docket 274471 | In this PSCR case governing IM Power's 2004 PSCR rates, MEC/PIRGIM challenged IM Power's inclusion of approximately \$2 million in annual PSCR costs related to a non-performing contract governing spent nuclear fuel (SNF) fees and SNF disposal; MEC/PIRGIM sought better protection of the fees or assignment of fee costs to the utility rather than ratepayers. The MPSC ruled against taking any action and MEC/PIRGIM appealed the Commission's order to the Court of Appeals. The Court appeal remained pending throughout 2006. |
| 8/1/05 | (UCRF 05-04) (UCRF 06-02) (UCRF 07-02) | |
| (and subsequent Court of Appeals case) | | |
| 4/13/06 | MPSC Case No. U-13919-R; Indiana Michigan Power Company 2004 PSCR Reconciliation Case (UCRF 06-02) | IM Power filed this case on March 31, 2005. On May 15, 2005 MEC/PIRGIM filed their petition to intervene which was granted at the May 24, 2005 prehearing conference. Thereafter a period of discovery ensued, in which MEC/PIRGIM requested information to reconcile SNF fee costs with the rate collections recovered from ratepayers. Hearings were held on December 19, 2005. On January 17, 2006 MEC/PIRGIM filed their initial brief regarding the SNF fee reconciliation issues, and filed a reply brief on January 27, 2006. The ALJ filed a PFD on February 23, 2006. MEC/PIRGIM did not file exceptions. The Commission issued its order on April 13, 2006. |

| | | |
|---------------------|---|---|
| 11/23/04 | MPSC Case No. U-13808; Detroit Edison Combined PSCR Plan/General Rate Case and U-13808 R. Also pending appeals of orders in Court of Appeals, including: Detroit Edison v MPSC, Docket 252966; Attorney General v MPSC, Docket 264191; ABATE v MPSC, Docket 264156; MEC/PIRGIM v MPSC, Docket 264131. | MEC/PIRGIM actively participated in all hearings and briefing leading to the Commission's final order. MEC/PIRGIM opposed DECo's request to charge electric ratepayers for the "control premium" incurred by its parent company, DTE Energy, to acquire MichCon. DTE paid \$2,488 billion for MCN (MichCon and parent company MCN), or \$1,478 billion above MCN's book value. DECo sought approval in the case to include in its electric rates a rate adjustment to recover this control premium in the amount of \$65.7 million annually for 40 years, or an amount of more than \$2.6 billion (estimated as having a present value of \$893 million in 2004 dollars). The Commission rejected DECo's request on this issue. DECo has appealed this issue to the Court of Appeals; MEC/PIRGIM filed a Court brief defending the Commission order on this issue. |
| 6/30/05 | (UCRF 05-04) (UCRF 06-02) (UCRF 07-02) | MEC/PIRGIM in U-13808 also challenged DECo's inclusion in PSCR rates of \$8 million in annual PSCR costs related to a non-performing contract governing spent nuclear fuel (SNF) fees and disposal; MEC/PIRGIM sought better protection of the fees or assignment of fee costs to the utility rather than to ratepayers. The MPSC rejected MEC/PIRGIM's position. MEC/PIRGIM filed an appeal of this issue in the Court of Appeals, which is pending. |
| 9/26/06 | MPSC Case No. U-13808-R; DECo's 2004 PSCR Reconciliation Case | On March 31, 2005 DECo filed its application and expert testimony and exhibits in this case. On May 10, 2005 MEC/PIRGIM filed their petition to intervene which was granted by the ALJ at the May 17, 2005 prehearing. Thereafter a period of discovery and motion hearings occurred. On August 16, 2005 the Commission issued an order denying DECo's ex parte motion for the entry of a temporary order. On September 9, 2005 some of the parties (not MEC/PIRGIM) filed their responsive testimony. Revised testimony and rebuttal testimony was filed on October 5 and 7, 2005. Hearings were held on November 7, 2005, including participation by MEC/PIRGIM. On December 8, 2005 MEC/PIRGIM filed their initial brief. On April 11, 2006 the ALJ issued a PFD. MEC/PIRGIM did not file exceptions. On September 26, 2006 the Commission issued its order determining the reconciliation. The AG filed a motion for rehearing on October 26, 2006. On or about the same date, DECo filed an appeal to the Michigan Court of Appeals. On March 21, 2007 the Commission issued an order denying the AG's petition for rehearing. |
| 3/21/07 | (UCRF 05-04) (UCRF 06-02) | |
| (Denying rehearing) | | |

Pending
(MPSC order
permits amendment
and refiling; this
option being
reviewed)

(non-final MPSC
orders of 9/20/05
and 3/13/06)

MPSC Case No. U-13771; Complaint regarding
spent nuclear fuel (SNF cost and rate issues).

(Several grant years, including UCRF 07-02)

Complaint filed March 26, 2003; case involved
hundreds of millions in SNF cost and rate impacts
involving five (5) nuclear utilities serving Michigan
ratepayers; Proposal for decision by Administrative Law
Judge issued March 20, 2005 ruled in favor of
MEC/PIRGIM, et. al, on significant legal issues
concerning state jurisdiction, standing, absence of
federal preemption, availability of remedies, among
others. Commission order of September 20, 2005
dismissed complaint without prejudice to refiling to
include additional and updated facts. MEC/PIRGIM
subsequently filed a motion for rehearing before the
Commission, which was denied by the Commission's
order dated March 13, 2006. MEC/PIRGIM thereafter
filed an appeal to the Court of Appeals, which dismissed
the appeal in part upon the basis that the Commission's
order was a non-final order given that the Commission's
order of September 20, 2005 had expressly permitted the
refiling of the complaint with amendments. A dispute
also arose as to the timing of the filing of MEC/
PIRGIM's rehearing petition (which MEC/PIRGIM
timely fled electronically, but did not file paper copies
based upon the understanding that all electric utility case
dockets had switched to paperless electronic filing as of
June 2005). MEC/PIRGIM has the right to amend and
refile the complaint, on option that is under review.

Grantee:

**Michigan Communication Action Agency
Association⁴**

**Order
Date**

Case

Result

Court of Appeals
decision dated
November 22, 2006
(Utility appeal of
Commission orders
of March 12, 2003
and April 28, 2005).

*Michigan Consolidated Gas v Michigan Public
Service Commission, Attorney General, and
Michigan Community Action Agency
Association*, Court of Appeals Docket 262888

Appeal from MPSC Case U-13060/U-13060 R;
MichCon's 2002 PSCR Plan case, including
follow-up remand proceedings, Commission
Orders issued 3/12/03 and 4/28/05

UCRF 05-03
UCRF 06-03

MCAAA fully participated in all briefing and oral
arguments in the Court of Appeals case wherein
MichCon challenged a downward rate adjustment of \$26
million, adopted in the MPSC orders, dealing with
certain unbilled revenue issues. MCAAA had heavily
participated in MPSC proceedings on this issue in
MPSC Case No. U-13060 (involving MichCon's GCR
Plan for 2002), which had undergone remand
proceedings. MCAAA participated in all three phases
of Case U-13060, including remand proceedings held on
the unbilled revenue issue before the MPSC in 2003 and
2004. MCAAA also was the only party in U-13060 to
have filed a motion for rehearing on April 11, 2003, to
save the remand process and the substantial evidentiary
record compiled on the unbilled revenue issue in U-
13060 for ultimate consideration by the Commission in
remand hearings. This resulted in the Commission
issuing a joint combined order on April 28, 2005 in both
docket U-13060 and U-13060-R, based upon a more
substantial record dealing with the unbilled revenue
issue. This combined record became the basis for the
Court's review, resulting in the Court's 11/22/06

⁴ MCAAA is a Michigan non-profit corporation established on a membership basis. Its constituent members are Community Action Agencies ("CAAs") operating throughout Michigan. MCAAA's membership include thirty (30) CAAs in Michigan, as well as the Inter-Tribal Council of Michigan, which administers similar programs to the native American population. In Michigan, CAAs carry out designated functions under the Michigan Economic and Social Opportunity Act of 1981, 1981 PA 230; MCL 400.1101 *et seq.* ("Act 230").

affirmance of the substantial downward rate adjustment ordered by the Commission. MCAAA thus substantially assisted in defending the Commission order and rate adjustment, in cooperation with counsel for the MPSC Staff and the Attorney General. MCAAA also preserved a more complete evidentiary record on the issue to support the Commission's rate adjustment before the Court.

Pending case

MPSC Case No. U-15042; the application by Michigan Consolidated Gas Company (MichCon) for its Gas Cost Recovery (GCR) Plan for the 12 months ending March 31, 2008; consolidated with MPSC Case No. U-14800 (MichCon's application for the approval of the sale of gas supply in storage and related accounting changes)

UCRF 06-03
(Extended to 7/30/07)

MichCon filed its GCR Plan case for the 12 months ending March 31, 2008 on December 28, 2006. MCAAA intervened in this case, which is presently the subject of settlement discussions in 2007.

MichCon filed an ex parte application in U-14800 on August 23, 2006. On October 10, 2006 MCAAA filed a petition to intervene which was granted at the October 17, 2006 prehearing conference. Thereafter a period of discovery ensued. On December 7, 2006 the Residential Ratepayer Consortium filed a motion to consolidate case No. U-14800 with case No. U-15042 which was the subject of a hearing held on December 14, 2006. MCAAA fully participated in this motion hearing, and strongly supported the motion to consolidate the cases. Thereafter the ALJ granted the motion and U-14800 was consolidated with U-15042, and has been the subject of extensive settlement meetings and negotiations in 2007.

| | |
|--|--|
| 8/22/06 (Order approving partial settlement) | MPSC Case No. U-14717; MichCon's application for approval of a Gas Cost Recovery plan for the 12 months ending March 31, 2007 |
| 12/21/06 | UCRF 06-03 |

MichCon filed this case on December 29, 2005. MCAAA filed its petition to intervene on February 14, 2006 which was granted at the prehearing conference held on February 21, 2006. Thereafter a period of discovery ensued. On May 2, 2006 MCAAA filed the expert testimony and exhibits of 3 experts, which testified concerning traditional gas cost issues, as well as presenting recommendations for the reimplementation of energy resource planning, and energy efficiency and conservation programs. This testimony also supported a downward rate adjustment of \$18.4 million. Rebuttal testimony was filed by certain parties on May 25, 2006. On June 13, 2006 the MPSC Staff and MichCon filed motions to strike portions of the MCAAA testimony dealing with energy resource planning, energy efficiency and conservation. On June 13, 2006 MCAAA filed a motion for declaratory ruling, and an extensive brief, outlining the Commission's jurisdiction to require energy resource planning, energy efficiency and conservation programs. Settlement discussions then ensued, which resulted in a partial settlement agreement of all parties, including MCAAA, substantially reducing the GCR plan factors for MichCon. Hearings were also held on July 6, 2006 relative to remaining issues, including a portion of MCAAA's testimony dealing with energy resource planning, energy efficiency and conservation. On July 31, 2006 MCAAA filed its initial brief concerning these remaining issues. On August 14, 2006 MCAAA filed its reply brief. On August 22, 2006 the Commission issued its order approving the partial settlement agreement entered into by all parties. On September 14, 2006 the ALJ issued his PFD concerning the remaining issues in the case. On September 28, 2006 MCAAA filed its exceptions to the PFD. On December 21, 2006 the Commission issued its order rejecting MCAAA's evidence and proposals in support of energy resource planning, and energy efficiency and conservation programs.

| | | |
|--|--|--|
| 8/22/06 (Order approving partial settlement) | MPSC Case No. U-14716; the application by Consumers Energy Company (CECo) for approval of Gas Cost Recovery (GCR) Plan and GCR factors for the 12 months ending March 31, 2007 | CECo filed this case on December 29, 2005. On February 14, 2006 MCAAA filed its petition to intervene which was granted at the February 22, 2006 prehearing conference. A period of discovery ensued, including discovery issued by MCAAA. On April 11, 2006 MCAAA filed the expert testimony of 3 expert witnesses concerning traditional gas cost issues, as well as testimony and exhibits, and studies, supporting the reimplementation of energy resource planning, and energy efficiency and conservation programs. This evidence included a recommended \$19.7 million rate disallowance. CECo filed rebuttal testimony on May 9, 2006. On May 24, 2006 CECo filed a motion to strike the testimony of 2 of MCAAA's witnesses that advocated reimplementation of energy resource planning, and energy efficiency and conservation programs. On May 31, 2006 MCAAA filed a motion for declaratory ruling, and an extensive brief, outlining the Commission's jurisdiction to reimplement energy resource planning, and energy efficiency and conservation programs. Settlement discussions then ensued. On July 24, 2006 a partial settlement agreement was filed with the Commission, entered into by all parties including MCAAA, substantially reducing the GCR rate factors. Hearings were then held on remaining issues on August 2, 2006. On August 21, 2006 MCAAA filed its initial brief on remaining issues. On August 22, 2006 the Commission issued its order approving the partial settlement agreement, which resulted in substantial GCR rate factor reductions. On September 1, 2006 MCAAA filed its reply brief on remaining issues. On September 14, 2006 the ALJ issued her PFD. On September 28, 2006 MCAAA filed exceptions to the PFD. On December 21, 2006 the Commission issued its order rejecting MCAAA's evidence recommending the reinstitution of energy resource planning, and energy efficiency and conservation programs. |
| 12/21/06 | UCRF 06-03 | |
| 11/30/05 | MPSC Case No. U-14403; CECo 2005 GCR Plan case (subject to appeal in <i>MCAAA v MPSC and CECo</i> , Court of Appeals Docket 267194) | MCAAA intervened in October 2004; case settled in June 2005; CECo then sought to reopen in September 2005 to seek further rate increase; MCAAA filed briefs and testimony in opposition; MPSC granted rate increase in November 2005; MCAAA filed appeal in Court of Appeals to challenge the MPSC's procedure and use of a NYMEX adjustment clause as the basis for rate setting. Court case pending. |
| | UCRF 06-03 | |
| Pending order | MPSC Case No. U-14403-R; the application of CECo for a reconciliation of Gas Cost Recovery costs and revenues for the 12 month period ending March 31, 2006 | CECo filed this case on June 30, 2006. MCAAA filed its intervention petition on August 18, 2006 which was granted by the ALJ at the August 29, 2006 prehearing. A period of discovery then ensued. On December 11, 2006 responsive testimony was filed by other parties, not including MCAAA. The parties then entered into settlement negotiations. A settlement was agreed to by all parties to the case, including MCAAA, and was filed with the Commission in March 2007. |
| | UCRF 06-03 | |

| | | |
|----------|--|--|
| 10/28/05 | <p>MPSC Case No. U-14401; MichCon 2005 GCR Plan Case</p> <p>UCRF 05-03 and UCRF 06-03</p> | <p>MCAAA intervened in October 2004; MCAAA filed testimony opposing MichCon September 2005 request for GCR rate increase; MCAAA participated in settlement reducing MichCon's rate request from \$13.13 Mcf to \$11.38 per Mcf (a difference of \$288 million annually, but applicable for a 4-month period of November 1, 2005 through March 30, 2006 for an approximate difference of \$100 million). <u>A portion of these savings were realized in the first three months of 2006.</u></p> |
| Pending | <p>MPSC Case No. U-14401-R; the application of MichCon for a Gas Cost Reconciliation for the 12 month period ending March 31, 2006</p> <p>UCRF 06-03</p> | <p>MichCon filed this case on June 30, 2006. On August 17, 2006 MCAAA filed its intervention, which was granted at the August 24, 2006 prehearing conference. A period of discovery then ensued for several months. On December 18, 2006 other parties to the case (not MCAAA) filed responsive expert testimony, which was followed-up with rebuttal testimony filed by the MichCon on January 19, 2007. Hearings and subsequent briefing were conducted in 2007, which MCAAA has fully participated in. The case remains pending before the MPSC.</p> |
| 5/17/05 | <p>MPSC Case U-13902; MichCon 2004 GCR Plan case (subject to appeal in <i>MCAAA v MPSC and MichCon</i>, Court of Appeals Docket 263262)</p> <p>UCRF 05-03 and UCRF 06-03</p> | <p>MCAAA presented testimony and briefing regarding gas purchasing plan issues, and in opposition to a NYMEX gas adjustment mechanism proposed by the utility; MCAAA sought modification to the mechanism to comply with statutory provisions and prevent overcollections; MCAAA appealed the MPSC order to the Court of Appeals to challenge the NYMEX adjustment clause and its use to avoid Act 304's prior notice and hearing requirements. The Court appeal remained pending at the end of 2006.</p> |
| 8/22/06 | <p>MPSC Case No. U-13902-R; the application of MichCon for Gas Cost Reconciliation proceeding for the period ending March 31, 2005</p> <p>UCRF 05-03 and UCRF 06-03</p> | <p>MichCon filed this case on June 30, 2004. On September 8, 2004 MCAAA filed its petition to intervene which was granted at the prehearing conference held on September 15, 2004. On June 30, 2005 MichCon filed a second phase of its case concerning the 12-month portion of the reconciliation ending March 2005. On August 17, 2005 MCAAA filed its petition to intervene in this second phase of the overall reconciliation, which was granted at a second prehearing conference held on August 24, 2005. On February 10, 2006 other parties (not including MCAAA) filed expert testimony in response to the company's filings. MichCon filed rebuttal testimony on March 7, 2006. On March 27, 2006 the Staff filed additional testimony. Hearings were held on March 28, 2006 and also on April 11, 2006. Other parties (not MCAAA) thereafter filed initial briefs and reply briefs. A PFD was issued on June 14, 2006 followed by exception briefs and replies to exceptions by other parties (not MCAAA). On August 22, 2006 the Commission issued its final order in the case.</p> |

Grantee: **PIRGIM⁵**

| <u>Grant Awarded</u> | <u>Grant Number</u> | <u>Results</u> |
|--|--|--|
| 5/28/04 (re-awarded in part in 2006) | UCRF-04-05 and UCRF-06-05; Comprehensive Assessment of Michigan's Electric restructuring implementation activities and the impact on Michigan PSCR Customers. | The final report and study conducted under this grant was filed by MSB Energy on behalf of PIRGIM on January 31, 2007. The study is also posted on PIRGIM's website at www.umich.edu/~pirg . |

Grantee: **PAYSAMERICA**

| <u>Order Date</u> | <u>Case</u> | <u>Result</u> |
|-----------------------|-----------------------|--|
| Standing denied | MPSC Case No. U-14718 | Brought development of a SEMCO PAYS program from introduction through to development of a proposed PAYS tariff. Developed templates for program forms and for vendor participant contracts. Standing in GCR case denied though MPSC expressed a favorable opinion of PAYS concept. Testimony and program materials are available for parties and / or future implementation. |

4. FINANCIAL REPORTING AND GRANT ADMINISTRATION

4.1 Calendar Year 2006 Remittances

The following information is compiled and provided by the Michigan Department of Labor and Growth (DLEG) for purposes of the Annual Report.

Public Act 304 of 1982 requires annual remittances to the Fund from any regulated utility company serving at least 100,000 customers. The total size of the fund is set at \$500,000 multiplied by a factor "set by the Board at a level not to exceed the percentage increase in...The consumer price index for the Detroit standard metropolitan statistical area...between January 1981 and January of the year in which the payment is required to be made." Since enactment of Act 304, total remittances have been as follows:

| | | | |
|------|-----------|------|-------------|
| 1982 | \$630,600 | 1995 | \$791,900 |
| 1983 | \$653,400 | 1996 | \$813,000 |
| 1984 | \$582,250 | 1997 | \$834,050 |
| 1985 | \$569,600 | 1998 | \$851,728 |
| 1986 | \$592,650 | 1999 | \$864,600 |
| 1987 | \$596,050 | 2000 | \$899,000 |
| 1988 | \$615,250 | 2001 | \$930,650 |
| 1989 | \$650,450 | 2002 | \$946,150 |
| 1990 | \$683,450 | 2003 | \$981,150 |
| 1991 | \$715,300 | 2004 | \$988,350 |
| 1992 | \$728,650 | 2005 | \$1,013,299 |
| 1993 | \$745,838 | 2006 | \$1,052,150 |
| 1994 | \$760,266 | | |

Remittances due from the six utilities serving at least 100,000 customers are calculated from the proportion of each "company's jurisdictional 1981 operating revenues...compared to the 1981 total operating revenues of all energy utility companies" contributing to the fund. This proportion, initially calculated in 1982 and recalculated in 1996, remains constant, and was applied to the six remitting utilities in the amounts shown in the table below.

| <u>Source of</u> <u>Calendar Year 2006 Remittance Revenue</u> | | <u>Distribution of</u> <u>Calendar year 2006 Revenue</u> | |
|--|-------------------------------------|---|---------------|
| <u>Utility</u> | <u>Amount</u> <u>Contributed</u> | <u>Recipient Allocated</u> | |
| Consumers Energy | \$430,997 | Attorney General (47.5%) | \$ 499,771 |
| Detroit Edison Co. | 298,473 | Intervener Grants (47.5%) | 499,771 |
| MichCon Gas Co. | 263,970 | Administration (5%) | <u>52,608</u> |
| Aquila Networks-MGU | 22,795 | | |
| SEMCO | 25,679 | | |
| Indiana Michigan Power | <u>10,236</u> | | |
| TOTAL | \$1,052,150 | | \$1,052,150 |

Letters were sent to each utility on 4/03/06 and all remittances were made by 09/08/06.

In addition to the calendar year 2006 utility fees, interest was earned for the Fiscal Year ending 9/30/06. This was allocated proportionately between the Attorney General and the intervener grants. The intervener proportion totaled \$70,435.

4.2 Fiscal Year 2006 Appropriation and Accrued Funds

Total funding available for awarding intervener grants in calendar year 2006 was \$522,500 as shown below and \$902,500 FY07 authorization subject to budget approval.

Intervener Grant Funding for fiscal year 2006:

| | |
|--|-----------------|
| Appropriation (Public Act 156 of 2005) | \$550,000 |
| Less 5% for Administration | <u>(27,500)</u> |
| Appropriation Available for Intervener Grants | \$ 522,500 |
| New Revenue | \$499,771 |
| Fiscal Year 2004 Unreserved Fund Balance | 1,155,804 |
| Fiscal Year Interest Earned from Common Cash Fund | <u>70,435</u> |
| Total Available if sufficient spending authorization | \$ 1,726,010 |

4.3 Notification of Readiness to Proceed

The Act requires that the Public Service Commission not act on "an application for an energy cost recovery proceeding...until 30 days after it has been notified by the Board or the director of the Energy Administration...that the Board or the director is ready to process grant applications, will transfer funds payable to the Attorney General immediately upon [their] receipt...and will within 30 days approve grants and remit funds to qualified grant applicants." Additionally, the Act requires that "in order to implement the gas [or power supply] cost recovery clause....a utility annually shall file...a complete gas [or power supply] cost recovery plan...The plan shall be filed not less than 3 months before the beginning of the 12-month period covered by the plan."

The electric utilities selected January 1, 2006 to December 31, 2006 as the 12-month plan period. Most of the gas utilities selected April 1, 2006 – March 31, 2007 as their 12 month period.

4.4 Scope of Work

Money from the Fund, less administrative costs, "may be used only for participation in administrative and judicial proceedings under sections 6h, 6i, 6j, and 6k [of P.A. 304] and in federal administrative and judicial proceedings which directly affect the energy costs paid by Michigan energy utilities." The Attorney General has issued formal and informal opinions to guide the Board regarding cost matters that may be covered by Act 304 grants. The Act describes several kinds of proceedings. Cases required by statute are:

Gas supply and cost review

Power supply and cost review

Gas cost reconciliation

Power supply cost reconciliation

Decisions in any of these four proceedings may be appealed to the appropriate courts.

Grant proposals were solicited for intervention in 2007-08 GCR Plan cases and 2006-07 GCR Reconciliation proceedings, 2007 PSCR Plan cases and 2006 PSCR Reconciliation proceedings and/or other cases relevant under Act 304.

4.5 Application and Selection Process

Act 304 limits eligibility for funding to non-profit organizations or local units of government in Michigan, places specific additional restrictions on applicants, and suggests criteria that could be used in the selection process.

The UCRF grant application was substantially revised in 2006 with the participation of DLEG and the Office of Attorney General. The purpose was to create more consistency with the purchasing contract and to provide better information to applicants. Applications were received from the Residential Ratepayer Consortium (RRC) and from the Michigan Environmental Council (MEC)/ Public Interest Research Group in Michigan (PIRGIM). To the extent possible, full participation in supply and cost reviews and in cost reconciliation cases was desired by the Board. The grant proposals submitted by the Residential Ratepayer Consortium, Michigan Environmental Council and Public Interest Research Group in Michigan provided intervention in all the GCR and PSCR proceedings for the major utilities in Michigan. GCR dockets of smaller companies were monitored for any precedent-setting issues.

After analyzing the proposed intervention, quality of previous work, experience of the applicants and their legal counsel, and the scope of interests represented the Board determined that the RRC and MEC/PIRGIM proposals should be fully funded. Additional budget detail was requested from both applicants.

5. UPDATE ON THE LEGISLATIVE REVIEW OF ACT 304

Section 6m(23) of Act 304 requires a three-year legislative review of the costs and benefits attributable to the Act. The House Public Utilities Committee convened a series of hearings in the spring of 1986 allowing each of the interested parties an opportunity to present issues related to the first three years' experience under Act 304. As a part of this review process, the Board identified several issues of importance to residential ratepayers.

In the fall of 1986, the Michigan Public Service Commission sought to resolve some of those issues by initiating a review of the various suggestions that were directed toward the Commission by the Board, interveners, and the utilities. Recommendations resulting from this review were submitted to the Commission in the spring of 1987. The following discusses the issues initially identified by the Board and their current status.

ISSUE ONE: The Public Service Commission should refrain from dismembering Act 304 by holding

separate proceedings for certain energy cost issues. The shifting of these issues to non-Act 304 cases strains resources available for intervention on behalf of residential ratepayers. Interveners may have difficulty getting status and funding in the non-Act 304 cases. If they are able to intervene, they may be required to duplicate prior Act 304 efforts in the new proceeding.

The Board is concerned that the wording of Section 6m(17) of Act 304 unduly limits the ability to award UCRF funds for non-Act 304 cases that have a direct impact on energy costs paid by residential electric and gas customers of Michigan utilities.

STATUS: While there has been improvement in the detail provided in the Commission's Notices of Hearing to alert the public that in the non-Act 304 cases, there may be issues that affect purchased gas or electric power supply costs, the Board remains restricted in its ability to grant funds outside of Act 304 cases. New options should be considered for protecting Michigan's residential customers in light of restructuring and escalating gas and electric rates. However, the restrictive language of this section restricts the Board's ability to solicit and award grants for innovative proposals.

ISSUE TWO: Numerous and lengthy delays in the Act 304 process were a serious problem up to 1991.

STATUS: The Commission has taken steps to reduce the delays with the goal of issuing orders within nine months of the filing. It has also initiated a staggered filing schedule for gas cost recovery cases. Since the Board cannot accept a utility's filing until 30 days after certification of readiness, early certification was needed to implement the staggered schedule. The Board supported the Commission's actions and in 1991, to allow for more staggering, the Board accelerated the entire grant award process by two months. Also in 1991, the Commission issued Proposed Guidelines for Completion of Cases (Order No. U-9832). In 1992, the Commission's new policy effectively solved the problem of delays in the Act 304 process. The Board commends the Commission for its actions.

ISSUE THREE: The Public Service Commission should adopt a more aggressive review of the utilities' five-year cost projections. Annual review of a utility's five-year forecast, as required by Act 304, is intended to provide an opportunity for future cost containment and increased efficiency.

STATUS: The Board encourages the Commission to continue to increase its scrutiny of the five-year forecasts and to create more rigorous filing requirements. Further the Board encourages the Commission to place greater emphasis on conservation and energy efficiency as part of reasonable and prudent supply planning, particularly in light of increasing energy prices and limited mitigation options for residential energy customers.

ISSUE FOUR: The Public Service Commission should disallow the recovery of costs that were not allowed prior to Act 304.

STATUS: This issue is resolved. Michigan courts have endorsed the Commission's designation of energy costs that may be recovered by electric and gas utilities under Act 304.

ISSUE FIVE: Information provided by the utilities should be standardized to reduce the time and effort required by interveners spent in obtaining information needed for presenting cases to the Public Service Commission.

STATUS: Filing of standardized information was recognized as an area of need during the Public Service Commission's review in 1987. However, the Commission has issued no formalized requirement for standardized information, and there has been no increase in voluntary compliance by the utilities. This issue was examined again during 1989, but final recommendations were not reached on this issue. The Board continues its support for standardized filings as a means of reducing intervention costs and

improving time frames for hearing cases. Further, standardized filing will improve the Board's ability to independently analyze the impact of UCRF funded intervention in Act 304 proceedings.

ISSUE SIX: There is a need for increased intervenor funding. The amount of funding available for intervention has been limited to the annual appropriation less administrative and operating costs incurred. The board does not have the advantage of a large number of in-house experts during the plan and reconciliation case proceedings. Adequate funding is needed to secure technical assistance of expert witnesses to aid in the process of case investigation, analysis and cross-examination.

STATUS: Fees charged by the most prominent expert witnesses have increased at a faster rate than funds available for intervention, resulting in a net decrease in expert witness testimony on behalf of residential ratepayers. If the Attorney General is not participating in a case, and therefore not available to jointly sponsor an expert witness, the intervenors are often forced to reject bids from the most qualified expert consultants due to the lack of funds. Additionally, utilities are becoming more active in sponsoring rebuttal testimony. The intervenors' legal counsel continues to donate time for carry-over cases.

This need for increased resources is heightened by recent, dramatic structural changes in the electric and natural gas industries. Those changes have a profound effect on the energy costs paid by residential utility customers. Without additional funding to support interventions in the various forums in which key decisions about those costs are being made, there is a real danger that the interests of homeowners and renters will not be advocated and that they will ultimately bear an unreasonable share of those costs. The Board specifically requested an increase in the UCRF annual appropriation for the 2006-07 fiscal year. The annual appropriation for 2007 was increased substantially using accrued, unspent funds from previous years. Increasing the spending authorization will be effective until the reserve is depleted.

Questions regarding this report should be addressed to:

Utility Consumer Participation Board
Department of Labor and Economic Growth
Attention: Ms. Robin C. Bennett
P.O. Box 30004
Lansing, Michigan 48909
(517) 335-5968 Fax: (517) 373-3621